

AGENDA ITEM SUMMARY

Meeting Date: December 17, 2003Division: Management ServicesBulk Item: Yes X No

Department: Administrative Services

AGENDA ITEM WORDING: Approval to enter into contract negotiations with Public Financial Management, Inc. (PFM) for financial advisor services and to continue month-to-month status until new contract approved by BOCC.

ITEM BACKGROUND: On February 19, 2003, the BOCC approved extending contract on a month-to-month basis until RFQ process completed. We have received and reviewed proposals from Public Financial Management, Inc. and from First Southwest, Inc. and believe the services offered by PFM best serve the interest of Monroe County. Copy of each proposer's introduction letter and section on Financial Services offered is attached.

PREVIOUS RELEVANT BOCC ACTION:

CONTRACT/AGREEMENT CHANGES: Not Applicable

STAFF RECOMMENDATIONS: Approval

TOTAL COST: \$2,500/month *

BUDGETED: Yes X No

COST TO COUNTY: \$2,500/month *

SOURCE OF FUNDS: Ad Valorem Taxes

REVENUE PRODUCING: Yes No X

AMOUNT PER MONTH **Year**

APPROVED BY: County Atty X OMB/Purchasing X Risk Management X

DIVISION DIRECTOR APPROVAL:


Sheila A. Barker

DOCUMENTATION: Included X To Follow Not Required

DISPOSITION:

AGENDA ITEM # C 26 - Revised



The PFM Group

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

10100 Deer Run Farms Road 239-939-3009
Suite 201 239-939-1220 fax
Fort Myers, FL www.pfm.com
33912-1045

September 25, 2003

Mr. James Roberts, County Administrator
Ms. Sheila Barker, Management Services Director
Ms. Jennifer Hill, Budget Director
Monroe County Government
Key West, Florida

Dear Selection Committee Members:

Public Financial Management very much appreciates the opportunity to respond to Monroe County's Request for Qualifications for Financial Advisory Services. We are honored to have served the County for more than fifteen years. We look forward to continuing that close relationship with service improvements that stem from both the expanded resources of PFM nationally and the Fort Myers office having completed personnel transitions. We know and understand each other.

PFM is far better qualified to address the financial challenges facing the County than our competitors. We are independent! We do not sell municipal bonds. Firms that claim they can participate in the market daily and not consider those relationships when advising the County are not representing the true impact of those relationships. As independent Financial Advisors, we are not persuaded to consider past relationships with underwriters. PFM's only loyalty is to our client, Monroe County.

PFM recognizes the portions of our standard contract language that comprise the scope of services. Thus, it is apparent that PFM fully understands the County's broad scope of services. We have not constantly marketed all of these services but have responded consistently and immediately to the County's needs when contacted.

PFM includes a number of professionals in its response. In recent years, Kelly Ryman, Kyrle Turton and Hal Canary have provided the vast majority of services to Monroe County. We propose to continue with that team but are open to any suggestions from the County as to modifications.

The County is familiar with PFM's financial models that are in place. These specific models belong to the County and are the best technology available in the industry.

PFM deals with rating analysts and insurance analysts every day. We were successful in obtaining favorable ratings (A3 and A) and insurance bids for the Series 2003 Bonds. We understand the special credit risks that analysts associate with the Florida Keys and can help address them.



PFM has demonstrated repeatedly that personnel are available on a moment's notice to provide analysis or to appear before the Board of Commissioners. We affirm that commitment.

PFM has assisted the County in addressing complex financial issues over and over through the years. We have tailored our presentations to the Board of Commissioners precisely to the level specified by the County Administrator.

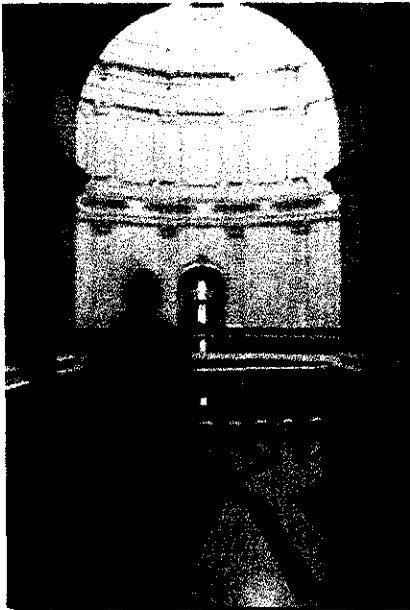
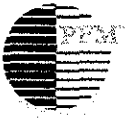
PFM has recently assisted the County in a very successful bond issue and has set the stage for another issuance in 2004 financing the acquisition of Environmentally Sensitive Lands. While we cannot remove all tasks from County staff, we have taken responsibility as much administration as possible. More importantly, real value accrues to the County in PFM's ability to optimally structure bond issues and obtain the best pricing available in the marketplace.

PFM is thoroughly familiar with the resources of and constraints on the County. Our recent analysis of debt capacity for the ESL project explored every possibility. We are prepared to move forward with another innovative structure for that financing. We look forward to continuing a relationship with Monroe County that PFM values very highly.

Sincerely,
Public Financial Management

A handwritten signature in black ink, reading "Hal W. Canary".

Hal W. Canary, CPA
Senior Managing Consultant



TAB VIII – Description of Financial Advisory Services



Services

As previously described, PFM has four primary businesses that meet our clients' inter-related financial needs: (i) financial advisory services; (ii) investment management; (iii) investment consulting and (iv) strategic consulting. With this comprehensive orientation, PFM is unique among financial advisors, who more typically only manage debt transactions. Only PFM offers its clients a horizontally integrated array of services designed to meet *all* their financial needs.

PFM offers its clients a complete scope of services to meet all of their financial needs. We develop innovative financing solutions for our clients' problems, and lead the public finance industry in the introduction of financing techniques designed specifically to enhance governmental access to the capital markets. As a national firm, PFM is able to offer an unrivaled breadth of experience and market expertise. As previously described, our scope of services is structured into four areas:

Financial Advisory	Policy Development Debt Capacity Capital Budget Competitive Contracting Benchmarking Performance Measurement Targeted Budgeting Securitization of Delinquent Assets Labor Strategies Revenue Enhancement Strategic Consulting	Investment Management	Fixed-Income Portfolio Management Cash Management Bond Proceeds Investment Management Policy Development Cash Flow Forecasting Escrow Structuring/Restructuring Structured Investment Products Arbitrage Rebate Compliance Accounting/Recordkeeping Services
Debt Management	Financing Schedule Debt Structuring Negotiated vs. Competitive Financing Team Selection Financing Alternatives Financing Terms Draft Documents Marketing Plan Rating Presentation Bond Pricing Closing Refunding Verification Services	Investment Consulting	Investment Policy Structuring Asset Allocation Models Performance Benchmarks Manager Implementation Regulatory Compliance Customized Quarterly Reports Manager Monitoring Qualitative Analysis Asset/Liability Analysis Special Projects



Financial Advisory

Financial Advisory

Policy Development
Debt Capacity
Capital Budget
Competitive Contracting
Benchmarking
Performance
Measurement
Targeted Budgeting
Securitization of
Delinquent Assets
Labor Strategies
Revenue Enhancement
Strategic Consulting

Develop Policy Regarding Financing and Debt

- Provides formal written policy and procedures for measuring and making financial decisions
- Demonstrates sophisticated financial management

Analyze Future Debt Capacity

- Determines ability to raise future debt capital
- Identifies rating concerns and/or opportunities

Review Capital Budget

- Matches the sources of capital funding to infrastructure needs

Competitive Contracting

- Injecting competition into service provision
- Exploring privatization as an alternative for selected services

Benchmarking

- Analyzing best practices to establish performance goals for government services

Performance Measurement

- Determining appropriate methods of measuring service performance
- Defining departmental missions in light of available resources

Targeted Budgeting

- Setting periodic targets within fiscal years for corrective measures to assure on budget performance

Securitization of Delinquent Assets

- Structure non-performing assets for sale including tax and utility liens, vacant land and buildings

Labor Strategies

- Analyze existing contracts for cost savings
- Study work rule reforms
- Coordinate overall approach in multi-bargaining unit environment

Revenue Enhancement

- Improve level of revenue generated from existing sources without tax increases
- Analyzing funds reimbursed from other governments

Identify Financing Alternatives

- Informs issuer of pros and cons of the universe of financing techniques
- Selects optimal financing strategy



In order to successfully advise the County or negotiate on its behalf, the County's financial advisor should perform a full range of services that begin well before the proposed bond issue is scheduled to price. In order to address this concern, PFM would propose to offer the scope of services as outlined in the following pages. The Tasks listed below are not to be considered as all-inclusive of PFM's scope of services. Each financing is to be viewed independently of each other and the scope of services to be performed is to be modified in a way as to best provide financial advice to the County.

TASK 1 - Recommend Details of the Issue

The determination of an efficient issue structure is a function of four elements: (1) Is the proposed amortization schedule well coordinated with the County's existing debt obligations and revenues? (2) Are the resources to be used to repay debt sufficient to meet total debt service requirements for both existing and proposed debt? (3) Is the proposed maturity schedule designed to attract maximum interest from potential underwriters and investors in the current market? (4) Is the proposed structure sufficiently flexible to allow the County to meet both identified and unforeseen demands?

Working with other members of the financing team and County staff, PFM will use the information it has gathered from the policy review and development phase of the engagement to facilitate the formulation of the issue structure and the terms under which the bonds are to be offered. PFM's Florida experience with the structuring and sale of over \$10.2 billion of debt has given us an appreciation for this task and an awareness of how to design terms and conditions of sale that are compatible with underwriter and investor interests under specific market conditions and that are consistent with the County's fiscal policy objectives.

TASK 2 - Assist in Selection of Underwriter, if Appropriate

PFM will work with County officials to develop a detailed request for underwriting proposals. This approach to selection of its underwriting group gives the County an opportunity to control all components of the underwriting spread and identify those firms which are most experienced with marketing securities of the type being offered. At the point where selection of underwriter is required, PFM will research and develop a set of bid specifications, develop a distribution list and supervise the circulation of the requests for proposals. After requests for proposals are distributed, PFM will respond to banker questions to ensure that responses are as thoughtful and valuable to the County as possible. PFM will analyze and summarize the responses and outline the advantages and disadvantages of each response to assist the County in its review process. PFM will present specific recommendations based upon quantitative and qualitative analyses of each respondent's bid recognizing:

A. Price: PFM can advise on the pricing of each bid with respect to the others and the pricing with respect to similar costs of financings currently in the capital markets.



B. Expertise: Notwithstanding other factors, certain firms are more experienced than others in specific areas such as financing for issuers of similar size and characteristics, Florida finance or structuring of a particular financing alternative. PFM can advise the County about the qualifications of responding firms, especially as it relates to capital market acceptance of the underlying securities being issued.

C. Distribution: Recognizing that certain financing vehicles are more successfully sold in institutional versus retail markets, PFM can advise as to which banking firms are better suited to successfully market each type of security. To the extent that it is determined the issue could be marketed more successfully on a regional basis, a bank with Florida marketing capabilities and experience could greatly benefit the County.

If a short-list is developed and interviews are held, PFM can provide focus to the process by designing an interview booklet that summarizes the key elements of each firm and its proposal. This booklet would also identify issues which all short-listed firms can be asked to respond to, as well as certain firm-specific questions to ensure that the County has a full appreciation of the capabilities of each firm. PFM would also give the underwriters appropriate guidance regarding the content of their presentations to ensure that their focus was on the issues of most interest to the County. Finally, after completion of interviews, PFM would discuss the merits of each firm and, if requested, make a recommendation to the County of a lead underwriter and underwriting team.

TASK 3 - Review Legal Documentation

Once a financial plan has been adopted for a specific transaction, the financing team will be responsible for the drafting, printing, adoption and distribution of all legal and disclosure documents. PFM's project team members have extensive experience assisting issuers across the nation in the preparation of the necessary ordinances, resolutions, indentures and other legal documents and disclosure documents for the issuance of tax-exempt and taxable securities. On complex projects this phase can be extremely time consuming and exhausting. As financial advisor, PFM usually takes responsibility for managing this process by ensuring that the responsible parties complete research and prepare drafts according to the issuer's schedule. PFM brings its experience and creativity to this process on behalf of its clients. Acting as advocate for the County, PFM aggressively negotiates the most favorable business terms, which allows the County to meet its credit and other objectives.

TASK 4 - Coordinate Rating Agency Strategy

PFM has developed tremendous experience working with the major national rating agencies. As a result of our experience advising well over one hundred clients per year to issue tax-exempt securities for a wide range of purposes, PFM has developed a clear understanding of the analytical methods utilized by Moody's Investors Service, Standard & Poor's Inc. and Fitch Investor Service, Inc. As a result of this experience, we have developed a very effective working relationship with all three major municipal rating services. Our professional staff is trained to conduct in-depth credit



analyses comparable to the rating agencies so that both credit strengths and weaknesses can be identified by the County prior to the presentation of materials to rating analysts. This experience has been effectively utilized to improve the credit ratings assigned to several communities across the nation, as well as to maintain ratings that were at risk of being lowered.

We will work closely with all of the rating agencies to fully understand their concerns and to design the County's presentations, to specifically address each agency's questions in a meaningful way. In addition, we maintain close personal contact with staff members at the rating agencies regarding their views of debt covenants, innovative financing techniques and unusual debt structures.

On an on-going basis, PFM will provide annual presentations to the County Commission concerning the County's financial trends and policies, with special emphasis on maintaining, and possibly upgrading, the County's existing bond rating.

TASK 5 - Recommend Timing and Structure of Issue

In developing a financing plan for the County, the financial advisor assumes the role of coordinator and catalyst. PFM, in conjunction with County's staff, will analyze each component of the structure and make recommendations to the County. Each member of the financing team will have a different perspective, and it is important that all team members be given an opportunity to express their views. The objective of this process is to create a set of terms that creates broad-based interest in the debt among investors while simultaneously minimizing the cost to the County and ensuring future flexibility. After assisting the County in developing its financing priorities, it will be PFM's responsibility to represent the County's point of view to the other team members during all discussions about the structure and timing of the financing.

In recent years, volatile market conditions have forced issuers to carefully time their tax-exempt borrowings. Factors such as wildly fluctuating interest rates, unprecedented upheaval in the international economic community, and regular Federal tax reform proposals have combined to create a very unstable tax-exempt market environment. To assist its clients with the timing of proposed issues, PFM closely monitors all such developments and evaluates the potential impact of each on new-issue, tax-exempt securities.

In addition, PFM's regional and national perspective would allow the County to coordinate its offerings with those of other issuers. This effort is designed to focus underwriter interest on the County's issues by separating them from other sales. Our overall goal is to identify a market in which: (1) interest rates are stable, (2) the supply of tax-exempt securities is light and (3) there is significant demand from both institutional and retail investors.

While PFM is committed to identifying a favorable sale date for each of the County's issues, we recognize that there are inherent risks in trying to anticipate market trends and believe that the County's own cash flow needs would normally be the most important factor affecting the timing of a particular sale.



TASK 6 - Recommend Financial and Bond Printer

PFM will act as the agent in soliciting bids from financial printers in regard to the printing of bonds, Preliminary Official Statement, the Final Official Statement, Notice of Sale and Bid Proposal (if any). We will develop, with the County's staff, the most complete set of specifications possible, taking into account our best estimate of all relevant information.

We will draft a bid letter specifying the nature and scope of printing work to be subcontracted for a solicitation of written bids from qualified financial printing firms acceptable to the County. By establishing our "scenario" of what the printing work will require, we will be able to generate a comparable basis for bids and a quantitative basis for making the award. In addition, per unit cost data will be requested to determine the sensitivity of each bid to changes from the projected workload. PFM has been a pioneer in the area of cost control over these otherwise loosely controlled and expensive adjuncts to a financing by controlling the document preparation to the extent possible and soliciting firm, "not to exceed" pricing from respected financial printing houses. Based on the written bids and our findings on these criteria, PFM will recommend a printer.

TASK 7 - Prepare Preliminary Disclosure Documents

Working closely with the County's staff and bond counsel, PFM will be actively involved in the development of key disclosure materials required to effectively market the County's issues. These disclosure materials include the preliminary official statement, the final official statement, the official bid form and the notice of sale.

The importance of the POS cannot be overstated. It not only serves as the primary marketing and promotional tool for the County and the underwriter, and as the vehicle for the disclosure of important management, financial and legal information about the County, but also as a primary source of information to the rating agencies and other credit analysts. In addition to providing factual data, it also relays a message about the County's management information system and management style. All of these factors will play a role in how the County's bonds are received and, therefore, the interest rates on the County's bonds. The summary and technical explanations must be clear and the documentation must be comprehensive and well organized. With minor modification following the sale, the POS becomes the final OS - the public document of record for the financing and the County's only official contact with most of its investors.

For the County's offerings, PFM will work closely with the administrative staff to ensure that the POS is in full compliance with the SEC guidelines, as well as the industry standards and the guidelines developed by the GFOA and MSRB. To the extent needed, our advisory team will review the County's existing POS format and recommend any changes that may enhance the presentation of relevant information. PFM's role in POS preparation can vary widely, depending on the needs and capabilities of the issuer; it can range from commenting on existing disclosure documents to managing the drafting process, including actually gathering necessary information for and writing



many sections of the document. In many instances, PFM has actually prepared these disclosure documents on its own word processing system, typically resulting in significant savings in printing costs.

TASK 8 - Distribute Preliminary Official Statement and Notice of Sale (if any)

As financial advisor to the County, PFM will be in charge of distributing the preliminary official statement and the notice of sale. PFM maintains an extensive national mailing list of underwriting firms, bond funds, insurance companies and other large investors interested in purchasing municipal bonds. This mailing list can be targeted based on region and debt structure to ensure that the preliminary official statement and notice of sale are distributed to audiences with the greatest interest in the bonds. The disclosure documents should be distributed well in advance of the sale date, ensuring that the sale is included early in the sales calendar of all national and local potential bidders. Furthermore, PFM encourages interest in new issues through our direct contact with many major underwriting desks. The advantages of this activity are twofold. First, PFM is able to inquire about the possible impact of different financing features, such as early call provisions or issue resizing after award of bonds. Second, by canvassing potential investors and underwriters, PFM is able to give added market exposure to the issue.

TASK 9 - Recommend Marketing Program for the Bonds

Depending upon the method of sale of the County's bonds, PFM's role as financial advisor will vary slightly with a competitive sale or negotiated sale. Below PFM has outlined a summary of the marketing and sale activities and services we provide our clients.

PFM's Role in Marketing Competitive Bond Sales

The PFM approach to marketing a competitive issue relies on broadening general market awareness of the County's issue, and highlighting its special features and the attractive nature of the securities. This portion of the process involves reaching the key market opinion-makers in a way that ensures keen interest in the County's bonds.

The structure of the County's issue plays an important role in the marketability of the issue. In a competitive sale, there is no opportunity to test the market for a particular bond structuring or credit feature. Therefore, broad experience with marketing debt of all types and features, as well as frequent and recent participation in the current market, is desirable. PFM serves a large number of issuers across the nation and is in the market virtually every day of the year. Consequently, we are constantly kept up-to-date on national market trends and overall credit market conditions. The active involvement will help to ensure that the timing and structure of the County's proposed sale is optimized to achieve the lowest possible interest costs.

In recent years, volatile market conditions have forced municipal issuers to carefully time their tax-exempt borrowings. Factors such as wildly fluctuating interest rates, unprecedented upheaval in the international economic



community, and regular federal tax reform proposals have combined to create a very unstable tax-exempt market environment. To assist its clients with the timing of proposed issues, PFM closely monitors all such developments and evaluates the potential impact of each on new-issue, tax-exempt securities.

Once a sale date has been scheduled, we call a list of local and frequent national buyers, ensuring that all last-minute questions are answered, rating and insurance information is correct, and the firm will bid at the sale. Information regarding the number of bidding syndicates and the members is also gathered at this time.

PFM's Role in Assisting in the Marketing of Negotiated Bond Sales

PFM plays an exceptionally strong supervisory role in negotiated sales. The County and PFM will select the main sales syndicate and set the management fee split, rather than leaving these important details to the lead underwriter. We also generate the Investment Banking Agreement which is geared to clearly indicate the services to be provided by the underwriters, distinguishing the services from those provided by PFM, and sets the upper limit for spreads, reimbursable expenses and rate.

PFM, working with bond counsel, takes an active role in preparing the preliminary official statement. In cooperation with bond counsel and the underwriter, we will conduct the document reviews.

PFM will work with the County throughout the pricing, assisting in evaluating the efforts of the underwriting team. To be sure that the bonds are selling in the manner represented, we will call other firms in the syndicate to check the sales progress information. Our contact with other underwriting firms gives us sufficient information to be able to override the underwriter and to insist on lower interest rates and/or spreads. PFM may also make recommendations regarding the "bond allocation" among underwriters, to ensure that those who are selling the bonds at the best rates are receiving a sufficient supply of bonds.

TASK 10 - Assist with the Pricing of the Bonds

PFM has built its entire reputation upon our financial advisory and consulting practice in the area of municipal finance. PFM's record of participation in the field of municipal finance is unrivaled by any other independent financial advisor and compares favorably to the performance of major regional and national investment banking houses as senior managers of debt issues by public entities. For each of the past three years, PFM has advised governments on more than one hundred financings per year, thereby assuring our clients that PFM is as active in the municipal debt market as any Wall Street firm. This record of involvement on as frequent a basis as investment banks has kept us in touch with the municipal market and gives us the needed prospective to assist our clients to market and price their debt issues in a knowledgeable manner.

In addition to our frequent involvement in the market representing our clients, PFM has committed a significant portion of its research effort into studying the municipal markets and the factors that effect the manner in which an



individual security is priced in that market. PFM uses a daily tax-exempt pricing matrix developed by the Delphis Hanover Corporation for a group of the nation's largest tax-exempt fund managers to price their portfolios on a daily basis, to quantify the aggressiveness of any individual new issue pricing relative to the rest of the market. PFM also utilizes the Consensus Scale developed and published by Municipal Market Advisors and the Thompson Municipal Market MMD composites for each of the individual sectors to develop target scales for all proposed offerings. These models complement PFM's already extensive anecdotal knowledge of the markets and gives us the unique ability to provide our clients with quantifiable and objective data to support our pricing recommendations. Finally, no other municipal financial advisor has committed itself to the investment advisory business in the way that PFM has. Since our Money Management Group has three "traders" who execute trades for client's accounts every day, we are in total and daily contact with the Government bond market which is the market that drives the pricing of municipal securities.

Our record of service to hundreds of communities throughout the nation including Florida has allowed PFM to gain the resources and the reputation necessary to effectively negotiate with Wall Street banks on behalf of our clients. These resources include a detailed listing of the fees paid on most publicly offered transactions, the premium or discount required to reoffer debt issues, and the rates which underwriters offer to purchase securities from governments and then sell them to investors. The difference between these rates, or the price of the premium, serve as an indicator of how much the coupons on securities could have been reduced and successfully completed the transaction. Without the vast resources which PFM maintains to support our clients in negotiations with underwriters, a government issuing bonds would have to depend upon the goodwill of its bankers.

In summary, PFM takes great pride in providing aggressive and informed representation to its clients in the pricing of securities. We actively monitor market conditions through frequent and ongoing contacts with the trading rooms of many of the nation's most prominent investment banking firms. We carefully watch market conditions in order to effectively advise our clients as to the most appropriate market timing for security offerings as well as to identify opportunities for refundings. We devote a significant amount of our internal research effort to analyzing the tax-exempt markets and the factors that effect how the County's securities would be received in that market. We believe that this combination of close observation and state of the art quantitative analysis makes PFM one of the most knowledgeable firms actively involved in providing financial advice to governmental units about the municipal market and the factors that effect our clients in that market.

After the pricing is completed, PFM will provide the County with a Financial Advisor's Memorandum so that the County can evaluate the fairness of the pricing of its bonds. Contained in the Memorandum are a list of yields on recently priced comparable issues, a list of underwriter's fees on recently priced comparable issues, municipal market conditions leading up to and on the day of the sale, a description of the call provisions, ratings, credit enhancements and special features of the issue and a general background of the issue. Not only is this a measure of the fairness of the sales terms but is a comprehensive reference which the County may refer to in the future.



TASK 11 - Attend Bid Opening and Verify Bids, if Appropriate

On the date of sale, PFM will attend the bid opening and review each bid for compliance to the bidding covenants, determine the effective net interest cost and the true interest cost of each bid and make recommendations to the County to accept or reject bids. In general, PFM believes that true interest cost is a more accurate reflection of the "lowest bid" and would therefore recommend to the County that the TIC be the determinate of the winning bid in each of its competitive sales. The County may also elect to receive bids via facsimile or via electronic bidding. In either of the cases, PFM will verify all of the bids and confirm the winning bid.

TASK 12 - Prepare Final Disclosure Documents

After an issue has come to market, PFM will work with County staff and bond counsel to complete the final Official Statement. PFM will ensure that the POS is updated in a timely manner to ensure that guidelines regarding the prompt distribution of the final OS are met.

TASK 13 - Assist with Closing

PFM will work with all parties involved with the closing to prepare a schedule of tasks to be completed prior to closing and identify the party responsible for completing each task. These tasks include completing the final official statement, preparing closing documents, determining the bond proceeds to be delivered at closing, furnishing the County with a debt service schedule, arranging for the transfer of funds and investment of funds. PFM assumes responsibility for developing the wiring instructions to ensure all moneys are received in a timely manner.

In preparation for issue closing, PFM will work with the County's bond counsel and other members of the financing team to prepare and review all required documentation.



Debt
Management
Financing Schedule
Debt Structuring
Negotiated vs.
Competitive
Financing Team
Selection
Financing Alternatives
Financing Terms
Draft Documents
Marketing Plan
Rating Presentation
Bond Pricing
Closing
Refunding Verification
Services

Debt Management Services

Develop and Monitor Financing Schedule

- Serves as a plan for timely completion of the financing

Analyze Debt Structure Alternatives

- Designs a structure which maximizes market interest and future financing flexibility while being consistent with debt policy

Review Existing Debt Structure

- Documents current debt structure
- Identifies strengths and weaknesses of structure so that future debt issues can be structured to maximize ability to finance future capital needs
- Identifies funding opportunities

Recommend a Negotiated or Competitive Sale

- Tailors debt issue to the most efficient way to market the debt and maximize investor interest or minimize the interest cost

Assist the Issuer with the Selection of Working Group Members

- Selects a team that can most effectively bring an issue to market

Develop Terms of the Financing

- Ensures credit quality and presents terms which are attractive to investors to create broad-based interest in the debt
- Maximizes issuer's future flexibility

Develop Financing Documents

- Assures issuer that all contractual and business terms are reviewed from the issuer's perspective

Develop Marketing Plan

- Maximizes underwriter and investor interest in the securities

Develop Rating Presentation

- Obtains highest possible credit rating for debt issue
- Formulates and implements long-term credit rating strategy

Assist With Pricing of Bonds

- Assures issuer of lowest interest rate for given market
- Provides written documentation of acceptability of pricing



Investment Management Services

Investment
Management
Fixed-Income Portfolio
Management
Cash Management
Bond Proceeds
Investment Management
Policy Development
Cash Flow Forecasting
Escrow
Structuring/Restructuring
Structured Investment
Products
Arbitrage Rebate
Compliance
Accounting/
Recordkeeping Services

Fixed-Income Portfolio Management

- Market driven investment strategies meeting client objectives
- Maximizes earnings while preserving principal
- Provides necessary liquidity

Cash Management

- Enhances investment performance
- Matches assets and liabilities
- Provides a high degree of liquidity

Bond Proceeds Investment Management

- Complies fully with arbitrage rebate regulations
- Develops strategies to maximize retainable earnings
- Complies with yield restriction requirements
- Provides complete accounting and recordkeeping

Policy Development

- Defines investment strategy
- Identifies allowable and appropriate investments
- Specifies risk parameters

Cash Flow Forecasting

- Forecasts seasonal fluctuations
- Identifies core portfolio balance
- Maximizes earnings within liquidity constraints

Escrow Structuring/Restructuring

- Identifies most efficient portfolio
- Eliminates yield burning risk
- Complies with any yield restriction requirements

Structured Investment Products

- Identifies optimal investment strategy
- Hedges investment risk
- Optimizes investment cash flows

Arbitrage Rebate Compliance

- Complies fully with arbitrage rebate regulations
- Maintains all necessary investment records
- Minimizes rebate liability to the extent possible

Accounting/Recordkeeping Services

- Provides detailed portfolio accounting reports
- Tracks performance versus appropriate benchmarks



Investment Consulting Services

Investment Consulting

Investment Policy

Structuring Asset

Allocation Models

Performance

Benchmarks

Manager Implementation

Regulatory Compliance

Customized Quarterly

Reports

Manager Monitoring

Qualitative Analysis

Asset/Liability Analysis

Special Projects

Investment Policy

- Asset allocation targets and Ranges
- Diversification of securities requirements
- Quality constraints
- Performance benchmarks
- Prohibited transactions listing
- Regulatory considerations

Asset Allocation

- Engaging in a portfolio planning survey
- Structuring asset allocation models
- Managing client expectations

Manager Implementation

- Use of multiple asset styles
- Consideration of active and passive strategies
- Evaluation of managers independently and in relation to each other and to the total fund
- Monitoring manager's adherence to a specific style

Investment Performance

- Provide a clear easy to read quarterly performance report
- Highlight portfolio strengths and weaknesses
- Recommend portfolio changes when needed
- Personally present performance report
- Provide report customization and flexibility
- Protect the fund trustees through documentation

Manager Monitoring

- Absolute performance
- Relative performance
- Qualitative analysis

Special Projects

- Qualitative analysis
- Asset allocation study
- Asset/liability study
- Manager back study
- Money manager search
- Custodian search



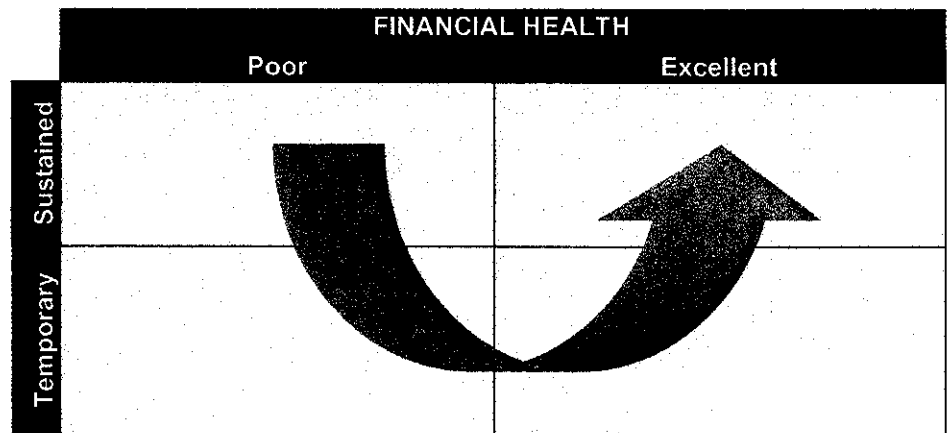
Strategic Consulting

Strategic Consulting is the fourth of PFM's primary businesses, in which we provide expertise to governmental leaders trying to develop plans, procedures, initiatives and transactions to improve a government's ability to provide quality public services at the lowest possible cost.

Fewer things touch people's lives more immediately than the services provided by governments. All too often however, these services require financial resources that are beyond those available. PFM works with governmental entities to develop sound operating and capital budgets, optimize asset and debt portfolios and otherwise improve their financial position. We have a proven track record using various techniques for performance management, benchmarking, revenue enhancement and privatization. Since 1992, PFM has helped clients eliminate billions of dollars of projected budget deficits without increasing taxes or reducing services.

Our Clients

PFM's Strategic Consulting clients include governmental entities that range from distressed communities nearing bankruptcy to those with strong financial positions. For the former, we attempt to work with governmental staff and elected officials to identify areas in which immediate impact may be made to curtail any downward financial trends. We then continue our efforts, sometimes over the course of years, to develop systems, manage transactions and overhaul procedures so that financial health continues to improve, ultimately creating self-sufficiency. For financially strong communities, we attempt to further improve their practices, policies and procedures. We apply proven techniques to move these communities along the continuum toward sustained excellent financial health.





September 22, 2003

Monroe County Purchasing Department
1100 Simonton Street, Room 2-213
Key West, Florida 33040

Re: Financial Advisory Services RFQ #268-097-0-2003/LC

Dear Monroe County Purchasing Department Representatives:

First Southwest Company ("FSC") is pleased to respond to the Monroe County's ("the County") Request for Qualifications ("RFQ") for Financial Advisory services. We are confident that our unique and unmatched blend of resources, expertise and personalized service will enhance the County's efforts in achieving its financial goals. As a leader in the industry with a senior level team assigned to the County, we believe that First Southwest Company is ideally suited to serve the Monroe County for the following reasons:

Experience of the Florida Team Assigned to the County

First Southwest Company will provide the County with an experienced financial advisory team. Our business philosophy has been to implement the team concept, with senior level personnel, to provide the best possible service to our clients. The Florida based team of Ed Stull, Lakshmi McGrath, John White and Mark Galvin bring over eighty-two (82) years of combined experience with local governments.

Experience of the Firm

Nationally, First Southwest was ranked as the #2 financial advisor in the nation in terms of number of issues, with a total number of 2,503 transactions with a par amount of \$56 billion for the period January 1, 1998 through August 31, 2003. The firm is growing rapidly in Florida as evidenced as our appointments as financial advisor to Miami-Dade County, Broward County, Indian River County, DeSoto County, the Miami-Dade Expressway Authority, the Florida Municipal Loan Council, the Orlando-Orange County Expressway Authority, and the cities of Key Biscayne, Sunny Isles Beach, Hialeah Gardens, Lake Mary, Cocoa Beach, New Smyrna Beach, Naples, Marco Island, Palm Coast, Treasure Island, Ocoee, Fernandina Beach and Wellington.

A Full Service Advisory Firm

As a full-service investment banking firm dedicated to providing comprehensive financial advisory services, First Southwest Company will provide the County with service in the areas of arbitrage rebate, investment management and continuing disclosure. First Southwest incorporates the implications of arbitrage rebate, investment policies, marketing and technical considerations at the planning and structuring phase of every transaction in which we participate. This ensures our clients that every aspect of a transaction has been considered before the terms of the transaction are finalized.

A New Perspective for Monroe County

First Southwest Company will bring a new perspective in evaluating the County's financial needs. We have recently become familiar with the County's future projects and believe that we can offer a number of fresh ideas to assist the County in achieving its goals. Unlike the County's current financial advisor, First Southwest Company does not currently represent any cities in Monroe County, which eliminates the possibility of conflicts of interest from representing both the County and an individual city in the County.

Legendary Client Service

First Southwest Company's reputation is built on our strong record of service to our clients. We have served some of our financial advisory clients for over 20 years. We have demonstrated the ability to develop innovative and creative solutions for our clients in such areas as water and sewer, infrastructure financing, transportation, housing, health care and education. First Southwest emphasizes client service at the regional level that we feel enables us to provide responsive service to meet the County's needs. With six public finance professionals operating from three offices in Florida, our bankers are typically available on short notice, and we offer the specialized and substantial resources of a national firm with the client-oriented approach of a regionally focused firm.

Extensive Market Involvement

In our role as financial advisor First Southwest believes it is a tremendous asset to the County that we also maintain a trading and underwriting desk. This coordinated effort between our Public Finance professionals and our underwriting team allows us to more effectively advise the County about market conditions on a daily basis. These capabilities provide an enormous advantage to the County and differentiate First Southwest from advisory firms which do not have actual market involvement and capabilities. Our active trading and underwriting desk assures our financial advisory clients that their securities are priced and sold at market levels.

Commitment to Public Finance

Public Finance has always been and continues to be the core business of First Southwest. While many investment banking firms are currently eliminating or reducing their public finance departments, First Southwest's commitment to excellence and financial strength has enabled the firm to maintain an aggressive growth through the years, including the recent expansion of our Orlando and Boca Raton offices.

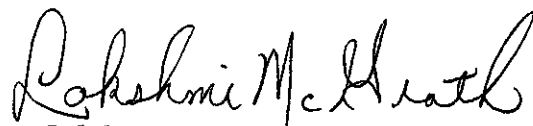
We are excited about this opportunity to respond to the County's RFQ as we believe that First Southwest presents Monroe County with the most qualified financial advisory team without any potential conflicts in representation. The County will have the commitment of this team and the senior management of the firm throughout this engagement. If you should have any questions regarding our proposal, please feel free to contact us at (305) 819-8886.

Sincerely,

First Southwest Company



Edward D. Stull Jr.
Senior Vice President
estull@firstsw.com



Lakshmi McGrath
Vice President
lmcgrath@firstsw.com





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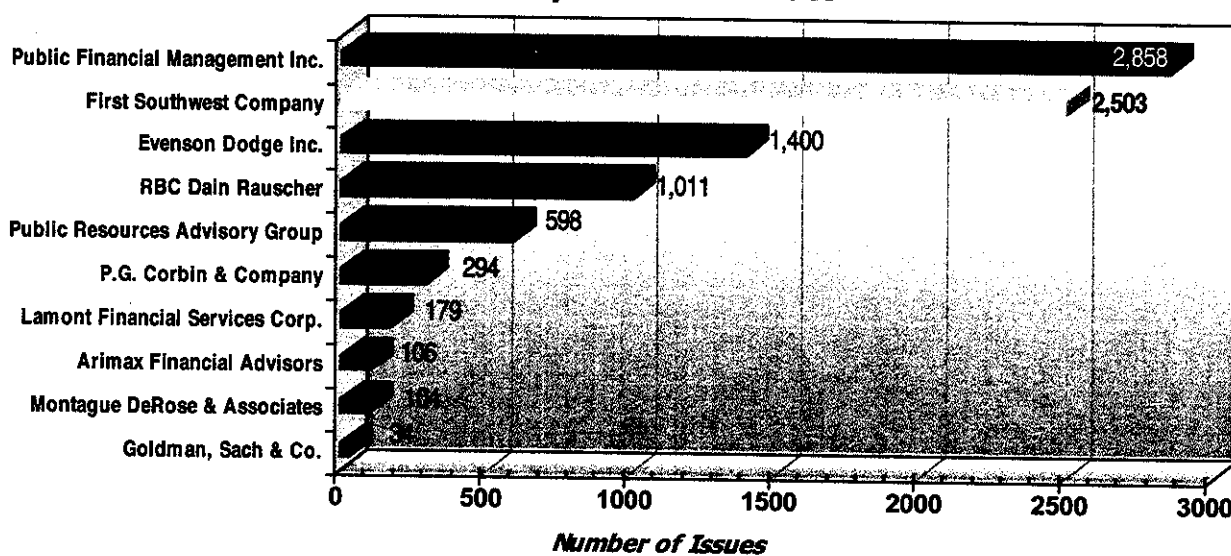


8. TAX EXEMPT FINANCIAL ADVISORY SERVICES

First Southwest has been recognized as a leader in the public finance field, with financial advisory work comprising the largest segment of firm revenues. Our present public banking staff includes over 100 professionals and support personnel working exclusively in public finance. The group, consisting of 81 bankers, is organized along regional and specialty lines in order to provide the highest level of service to our clients. The group offers bankers dedicated to small to medium sized cities and counties as well as large state issuers and to specialty issuers in the areas of transportation, toll facilities, aviation, healthcare, higher education, housing, industrial development and power. These professionals and their resources are available to our clients at all times during and between transactions. Financial advisory services account for approximately 70% of public finance revenues.

Nationally, for the period January 1, 1998 through August 31, 2003, First Southwest was ranked as the #2 financial advisor in the nation in terms of number of issues, with a total number of 2,503 transactions with a par amount of over \$56 billion.

National Financial Advisory Ranking
01/01/1998 - 8/31/03
By Number of Issues



(Source: Thomson Financial Securities Data)



Monroe County and the Fabulous Florida Keys

Southernmost County in the United States

Key West

Big Pine and Lower Keys

Marathon

Islamorada

Key Largo

Florida Financial Advisory Experience

First Southwest Company is a leader in providing financial advisory services to its Florida clients. Since opening the first office in Orlando with 2 professionals in 1995, the firm has continued to expand our presence in Florida, not only in terms of numbers of professionals, but also in the number of financial advisory clients. First Southwest Company now has 6 public finance professionals located in two offices: Orlando and Miami Lakes, with a retail sales office in Boca Raton. First Southwest Company's Florida offices have served as Financial Advisor on over 60 issues totaling over \$4.1 billion since 2000.

Since 1995, First Southwest has been appointed financial advisor to the following Florida issuers:

- | | |
|----------------------------|--|
| → City of Cocoa Beach | → Broward County |
| → City of Edgewater | → DeSoto County |
| → City of Fernandina Beach | → Indian River County |
| → City of Lake Mary | → Miami-Dade County Aviation Authority |
| → City of Hialeah Gardens | → Housing Finance Authority of Lee County |
| → City of Lauderhill | → Broward County Health Facilities Authority |
| → City of Marco Island | → Miami-Dade Expressway Authority |
| → City of Naples | → Miami-Dade County Public Health Trust |
| → City of Ocoee | → Florida Municipal Loan Council |
| → City of Palm Coast | → Sunshine State Governmental Financing Commission |
| → City of Sanford | → Orlando Utility Commission |
| → City of Tavares | → Florida Finance Commission |
| → City of Treasure Island | → Florida Gas Utility |
| → Village of Key Biscayne | → Orlando-Orange County Expressway Authority |
| → Village of Wellington | |